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International Organization of Securities Commissions
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IOSCO/MR/05/2009

Madrid, 19 March 2009

IOSCO publishes hedge funds oversight recommendations

The International Organization of Securities Commissions' (IOSCO) Technical Committee has today published a consultation paper – *Hedge Funds Oversight: Consultation Report* – containing preliminary findings and recommended regulatory approaches to mitigate risks associated with the trading and traditional lack of transparency of hedge funds.

The report was prepared by the Technical Committee's Task Force on Unregulated Financial Entities (Task Force), which is among those established in November 2008 and is co-chaired by the Consob of Italy and the Financial Services Authority of the UK, to support the initiatives undertaken by the G-20 to restore global growth and achieve much needed reforms in the world's financial systems in the wake of the financial crisis. The preliminary findings and recommendations of the Task Force have been presented to the G-20 Working Group on Enhancing Sound Regulation and Strengthening Transparency and to the Financial Stability Forum.

Kathleen Casey, Chairman of the Technical Committee, said:

“The recent financial crisis is not a hedge fund crisis, and indeed regulators recognise that hedge funds contribute to market liquidity, price efficiency, risk distribution and global market integration. However recent market events have given governments and regulators the opportunity to consider the possible role hedge funds may play in amplifying crises through their trading strategies, reliance on leverage and the need to liquidate positions quickly.

“However, as our report shows, the approach to the oversight of hedge funds and the mitigation of the associated risks varies greatly across jurisdictions. Therefore IOSCO believes that concerted, global

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regulatory action is required to appropriately and effectively mitigate the risks associated with hedge funds, along with stronger cooperation and information sharing arrangements between regulators.

“This consultation paper solicits views on whether the preliminary recommendations provide regulators with the relevant guidance necessary to address the risks posed by hedge funds in their own jurisdictions while supporting a globally consistent approach.”

The Task Force report discusses the regulatory issues presented by hedge funds, in particular focusing on the recent financial crisis, issues around systemic risk, and regulatory issues regarding conduct of business.

The closing date for submissions to the consultation report is 30 April 2009.

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NOTES FOR EDITORS

1. [Hedge Funds Oversight](#) – Consultation Report of the Technical Committee of IOSCO is available on IOSCO’s website. Comments are sought by 30 April 2009. The document will be also discussed in a open hearing/meeting with industry and stakeholder representatives to be organised before the end of April.
2. IOSCO is recognized as the leading international policy forum for securities regulators. The organization's wide membership regulates more than 95% of the world's securities markets and IOSCO is the international cooperative forum for securities regulatory agencies. IOSCO members regulate more than one hundred jurisdictions and its membership is steadily growing.
3. The [Technical Committee](#), a specialised working group established by IOSCO’s Executive Committee, is made up of fifteen agencies that regulate some of the worlds larger, more developed and internationalized markets. Its objective is to review major regulatory issues related to international securities and futures transactions and to coordinate practical responses to these concerns. Ms. Kathleen Casey, Commissioner of the United States Securities and Exchange Commission is the Chairman of the Technical Committee. The members of the Technical Committee are the securities regulatory authorities of Australia, France, Germany, Hong Kong, Italy, Japan, Mexico, the Netherlands, Ontario, Quebec, Spain, Switzerland, United Kingdom and the United States.
4. IOSCO aims through its permanent structures:
 - to cooperate together to promote high standards of regulation in order to maintain just, efficient and sound markets;
 - to exchange information on their respective experiences in order to promote the development of domestic markets;
 - to unite their efforts to establish standards and an effective surveillance of international securities transactions;
 - to provide mutual assistance to promote the integrity of the markets by a rigorous application of the standards and by effective enforcement against offenses.

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